

DUFF & PHELPS

Distribution Trustee Annual Report on Plan Implementation

March 1, 2018

Aramid Distribution Trust

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Notice to Reader

The information contained within this report has been based on information acquired by and/or represented to the Distribution Trustee in his capacity as Distribution Trustee to Aramid Distribution Trust. Unless otherwise stated, such information and figures have not been audited or otherwise verified by the Distribution Trustee.

Introduction

1.1 Geoffrey Varga of Duff & Phelps LLP as the Distribution Trustee of Aramid Distribution Trust, successor to the debtors in these Chapter 11 cases, Aramid Entertainment Fund Limited (“AEF”), Aramid Liquidating Trust, Ltd. (“ALTL”), and Aramid Entertainment, Inc. (“AEI”, together with AEF and ALTL, the “Debtors”), submits this Distribution Trustee Annual Report on Plan Implementation in accordance with the Modified First Amended Joint Liquidating Plan of Reorganization of the Debtors and Debtors in Possession dated January 28, 2016 [Dkt. #667] (the “Plan”) and the Bankruptcy Court’s Findings of Fact, Conclusions of Law, and Order Confirming the Modified First Amended Joint Liquidating Plan of Reorganization of the Debtors and Debtors in Possession dated January 28, 2016 [Dkt. #710] (the “Confirmation Order”).

The Creation of Aramid Distribution Trust

2.1 Pursuant to the Plan, the Confirmation Order and the Distribution Trust Agreement (the “Agreement”), Aramid Distribution Trust (the “Distribution Trust”) was created and approved by the Bankruptcy Court on February 25, 2016 with Geoffrey Varga and Jess Shakespeare¹ serving as the Initial Distribution Trustees for the Distribution Trust (the “Distribution Trustee”). The Distribution Trust was established for the purpose of liquidating and distributing the assets of the Distribution Trust in accordance with Treasury Regulation §301.7701-4(d), with no objective to continue or engage in the conduct of a trade or business.

Reporting Periods:

The Initial Report

3.1 Pursuant to the Plan, the Distribution Trustee had an obligation to file on or before the 210th day after the effective date of the Agreement, an initial report

¹ On May 31, 2016 Jess Shakespeare resigned as Distribution Trustee, thereafter Geoffrey Varga continued as the sole Distribution Trustee.

containing such information for the first 180 days after the effective date of the Agreement.

- 3.2 On April 13, 2016, the Bankruptcy Court entered into a Post-Confirmation Order Regarding Certain Matters Pursuant to Local Bankruptcy Rule 3021-1 (the “Rule 3021-1 Order”) setting forth the Distribution Trustee’s reporting obligations under the Local Bankruptcy Rules for the United States Bankruptcy Court, Southern District of New York. Accordingly, pursuant to the Plan and the Rule 3021-1 Order, the Initial Distribution Trustee Report on Plan Implementation (the “Initial Report”) covered the period from February 25, 2016 to August 23, 2016 (the “Initial Reporting Period”). The Initial Report was issued on and filed with the Bankruptcy Court on September 22, 2016.

The Annual Reports

- 3.3 Pursuant to Articles III, Section C(4) of the Plan, the Distribution Trustee must, on behalf of the Distribution Trust, file with the Bankruptcy Court (and provide any other party entitled to receive any such report pursuant to the Agreement), no later than 60 days after December 31 of each calendar year, an annual report regarding the administration of the property subject to its ownership and control pursuant to the Plan, distributions made by it and other matters relating to the implementation of the Plan.
- 3.4 The first annual report for the year ended December 31, 2016 was dated and filed on February 28, 2017 (the “Previous Report”). For clarification and completeness, it is recommended that the Initial Report and Previous Report be read in conjunction with this report.

Transfer of Assets of the Debtors to the Distribution Trust

- 4.1 As reported in the Previous Report, in accordance with Paragraph 2.3 of the Agreement (transfer of initial Distribution Trust Assets), the Distribution Trustee created a Distribution Trust account and monies held in the name of the Debtors were transferred to the Distribution Trust account on or before August 4, 2016.

Quarterly Disbursements Reporting

- 5.1 The Distribution Trustee continues to prepare and submit quarterly disbursement reports to the US Bankruptcy Court. The reports have been submitted for the four quarters of 2017 ending March 31, 2017, June 30, 2017, September 30, 2017 and December 31, 2017 along with the requisite fees.

The Settlement of Outstanding Debts against the Debtors

- 6.1 Since the creation of the Distribution Trust and the approval of the Plan, the Distribution Trustee has been working to settle all outstanding debts against the Debtors.
- 6.2 As mentioned in the Previous Report, the total professional fees and expenses incurred for the period June 13, 2014 to February 24, 2016 were granted final approval by the Bankruptcy Court on July 5, 2016 and have been paid in full.

Distribution Trust Fees and Expenses

- 7.1 The Agreement allows for reasonable compensation of the Distribution Trustee, and the reasonable compensation for other professionals retained by the Distribution Trustee such as counsel, accountants, and financial advisors. The total expenses incurred during the period February 25, 2016 to December 31, 2017 were as follows:

- Duff & Phelps LLC: \$3,756,652.58
- Gryphon Strategies: \$20,410.19
- Irell & Manella LLP: \$93,354.84
- Kobre & Kim LLP: \$25,928.46
- Maples and Calder: \$48,453.60
- PKF O'Connor Davies, LLP: \$7,799.62
- Reed Smith LLP: \$9,907,741.93
- DLA Piper LLP US: \$73,907.51
- Zillion Global, Inc.: \$95,998.78
- Iron Cove Solutions: \$375.00
- Maitland Administration Ltd.: \$57,000.00
- Perfect Audit: \$262.20
- Shipleys LLP: \$2,525.85
- Resolution Economics: \$138,445.51
- Cast & Crew Payroll LLC: \$10,349.51
- Dinner Martin Attorneys: \$19,914.40
- Foresight Unlimited LLC: \$800.00
- Martin & Obermaier LLC: \$7,500.00
- Fountain Court Chambers: GBP \$26,844.00
- In the Place of Strife: \$5,010.01
- Ogier: \$25,349.56
- Entertainment Partners: \$404.49

- 7.2 Of the total fees and expenses incurred, the following are the fees and expenses incurred for the period January 1, 2017 to December 31, 2017 (the "Reporting Period")

- Duff & Phelps LLC: \$1,654,370.74
- Reed Smith LLP: \$570,611.72
- DLA Piper LLP US: \$36,241.69
- Zillion Global, Inc.: \$53,353.78
- Maitland Administration Ltd.: \$27,000.00
- Shipleys LLP: \$1,507.95
- Resolution Economics: \$138,454.51
- Cast & Crew Payroll LLC: \$10,349.51
- Dinner Martin Attorneys: \$19,914.40
- Foresight Unlimited LLC: \$800.00
- Martin & Obermaier LLC: \$7,500.00
- Fountain Court Chambers: GBP 26,844.00
- In the Place of Strife: \$5,010.01
- Ogier: \$22,689.46
- Entertainment Partners: \$404.49
- Leonis Financial Services: \$8,050.00

7.3 In respect of the fees and expenses incurred during the Reporting Period, the Distribution Trustee has made the following payments to professional²:

- Duff & Phelps LLC: \$1,022,368.44³
- Gryphon Strategies: \$3,385.00⁴
- Reed Smith LLP: \$271,905.69⁵
- DLA Piper LLP US: \$50,045.01⁶
- Zillion Global, Inc.: \$52,697.53⁷
- Maitland Administration Ltd.: \$27,000.00
- Shipleys LLP: \$1,507.95
- Resolution Economics: \$138,454.54
- Cast & Crew Payroll LLC: \$10,349.51
- Dinner Martin Attorneys: \$19,914.40
- Foresight Unlimited LLC: \$800.00
- Martin & Obermaier LLC: \$7,500.00
- In the Place of Strife: \$5,010.01
- Ogier: \$25,349.56⁸
- Entertainment Partners: \$404.49
- Leonis Financial Services: \$8,050.00

² Attached hereto as Exhibit A is a reconciliation of receipts and payments concerning the Distribution Trust during the Reporting Period.

³ Payments of \$413,237.03 were made during the Reporting Period relating to prior period invoices.

⁴ Payments of \$3,385.00 were made during the Reporting Period relating to the prior period invoices.

⁵ Payments of \$271,905.69 were made during the Reporting Period relating to prior period invoices.

⁶ Payments of \$13,803.32 were made during the Reporting Period relating to prior period invoices.

⁷ Payments of \$5,250.00 were made during the Reporting Period relating to prior period invoices.

⁸ Payments of \$2,660.10 were made during the Reporting Period relating to the prior period invoices.

- 7.4 The Distribution Trustee continues to review invoices and make appropriate payments to professionals as invoices are received.
- 7.5 The quarterly fees paid to the United States Trustee have been paid up to the third quarter of 2017 by December 31, 2017. The fees for the fourth quarter were paid on January 23, 2018.
- 7.6 The Agreement also allows for reasonable fees, costs, and expenses incurred by the Distribution Trust in connection with any rights or duties under the Plan and Agreement including fees to administer the Distribution Trust. Please refer to Exhibit A which includes a Receipt and Payments Summary for the Reporting Period.

Claims Proceedings

- 8.1 The Distribution Trustee received a total of 56 proofs of claim filed in AEF, 38 filed in ALTL, and 18 filed in AEI. The deadline for objecting to the proofs of claim filed was November 21, 2016.
- 8.2 There were 56 proofs of claim filed against AEF, which totaled \$135,379,200.03. Currently, there are 23 remaining filed proofs of claim against AEF, which total at least \$15,543,051.90. Of those claims, 15 proofs of claim which total at least \$7,990,860.72 (including at least \$7,707,170.18 in claims filed by David Molner and his affiliates plus contingent unliquidated indemnity claims asserted by each of them) are subject to pending objections, and \$7,552,191.18 is allowed (or not subject to any objection). In addition, there are at least \$555,560.85 in general unsecured claims listed on AEF's schedule of general unsecured claims (Schedule F).
- 8.3 There were 38 proofs of claim filed against ALTL, which totaled \$97,261,371.35. Currently, there are 6 remaining filed proofs of claim against ALTL, which total \$13,707,170.18. Of those claims, 5 proofs of claim filed by David Molner and his affiliates which total at least \$7,707,170.18, plus contingent unliquidated indemnity claims asserted by each of them, are subject to pending objections, and 1 claim in the amount of \$6,000,000.00 is allowed. There are no scheduled claims against ALTL.
- 8.4 There were 18 proofs of claim filed against AEI, which totaled \$61,327,530.34. Currently, there are 5 remaining proofs of claim filed by David Molner and his affiliates against AEI, which total at least \$7,707,170.18, plus contingent unliquidated indemnity claims asserted by each of them. All such claims are subject to pending objections. There are no scheduled claims against AEI.

Film Portfolio and Collection of Royalties

9.1 As stated in the Previous Report, AEF had rights to a portfolio of approximately thirty films. AEF had originally engaged sales agents to sell the distribution rights of these films to distributors worldwide. For each film title, the distributors continue to exploit the rights in their licensed territories, which in some cases, results in a continuing revenue stream from royalty payments, while in other territories, the distributors are not successful.

9.2 The royalties due from the films are collected by various agents who periodically pay over the monies to the Distribution Trust accounts. To date, a total of \$200,263.80 has been received from royalty payments. Of this amount, a total of \$51,847.14 was received during the Reporting Period.

Current Cash Balances

10.1 At the close of the Reporting Period, the Distribution Trust had a cash balance on hand in accounts maintained by the Distribution Trustee on behalf of the Distribution Trust in the amount of \$2,087,440.94.

Investigative Efforts of the Distribution Trustee

11.1 The Distribution Trustee has been and continues to be in the process of fully investigating additional potential claims against prospective recovery targets and continues to review various contracts, documents and other relevant evidence, along with undertaking additional, appropriate investigation activities, to ascertain whether there are other viable claims to pursue on behalf of the Distribution Trust.

Pending Recovery Actions

12.1 Pursuant to the Plan, the Confirmation Order and the Agreement, the Distribution Trustee is permitted, in his sole discretion, to prosecute recovery actions for the benefit of the Distribution Trust. During the Reporting Period and as a product of the Distribution Trustee's investigation efforts, the Distribution Trustee has commenced and/or is prosecuting the following Recovery Actions on behalf of the Distribution Trust.

David Molner Litigation

12.2 As stated in the Previous Report, the Debtors are pursuing claims against David Molner, Aramid Capital LLP, Screen Capital International Corp., and Genco Capital Corp. (the "Molner Defendants"), seeking damages for breach of fiduciary duty, gross negligence, and unjust enrichment. Such claims are

the subject of a confidential arbitration before the London Court of International Arbitration (“LCIA”).

- 12.4 The Distribution Trustee and his counsel are in the process of prosecuting the recovery action against the Molner Defendants before the LCIA. The Distribution Trustee is prohibited from disclosing the details of such arbitration given its confidential nature.

Grant Thornton Litigation

- 12.5 As stated in the Previous Report, the Distribution Trustee also is pursuing claims against Grant Thornton UK LLP (“Grant Thornton”), contending that Grant Thornton did not properly conduct quarterly reviews of the valuations of AEF but rather, merely rubber-stamped the valuations, leading to AEF’s over-inflated net asset value. Grant Thornton’s failure to raise red flags or otherwise fulfill its obligations under its agreement with AEF or pursuant to its professional obligations resulted in harm to investors, creditors, and other parties. As a result, the Debtors are seeking to recover from Grant Thornton the significant losses AEF suffered, including the millions in management, legal, and advisory fees AEF paid based on, or as a result of, the over-stated valuations that Grant Thornton vetted.
- 12.6 On June 10, 2016, the Distribution Trustee filed a Claim Form in the High Court of Justice, Queen’s Bench Division, Commercial Court, Royal Courts of Justice, in London, England. Following dismissal of the action against Grant Thornton in the United States Bankruptcy Court, the Distribution Trustee served the Claim Form on Grant Thornton on January 9, 2017, and subsequently served the Particulars of Claim on February 15, 2017. There was an exchange of information and a stay of the proceedings to enable the parties to attempt resolution of the dispute. These settlement attempts were not successful.
- 12.7 Grant Thornton’s Defense was served on July 28, 2017. This document also contained a Counterclaim which sought payment of Grant Thornton’s legal costs incurred in the dismissed action in the United States Bankruptcy Court. The counterclaim has since been dropped as bringing the counterclaim is not an allowable action under the statutes of the Bankruptcy Court. The Distribution Trustee’s Reply was served on September 11, 2017.
- 12.8 There was a procedural hearing in London on January 18, 2018 at which the English court set out a timetable leading up to a trial. By March 2, 2018, the Distribution Trustee is to provide fuller details to the Court relating to its claimed losses. Grant Thornton is required to respond by April 6, 2018. Other interim deadlines follow and the trial is due to commence in London on May 2, 2019.

BDO Litigation

- 12.9 On May 17, 2017, the Distribution Trustee commenced an arbitration against AEF's former auditors, BDO USA LLP and BDO Cayman Ltd. (together, "BDO"). In the arbitration, the Distribution Trustee is pursuing breach of contract and professional negligence claims against BDO stemming from its negligent and otherwise improper audits of AEF.
- 12.10 The Distribution Trustee and his counsel are in the process of prosecuting the recovery action against BDO before the American Arbitration Association in Los Angeles, California. The Distribution Trustee is prohibited from disclosing the details of such litigation given its confidential nature.

Realization of Assets and the Winding Up of Subsidiaries

Realization of investment portfolio

- 13.1 The Distribution Trustee is currently seeking buyers for the investment portfolio held by the Distribution Trust.

Collection of funds due by subsidiaries and the winding up of subsidiaries

13.2 Aramid Entertainment BV

Since February 25, 2016, the Distribution Trustee has collected at total of \$1,000,000 from the directors of Aramid Entertainment B.V. ("AEBV"), a subsidiary of AEF. The money relates to outstanding interest due from loans advanced by AEF to AEBV. Of the amount collected, \$600,000.00 was collected during the Reporting Period. The Distribution Trustee has also received a total of \$6,062.44 in royalty payment related to films owned by AEBV. The Trustee is in the process of seeking buyers for the investment portfolio of AEBV, after which AEBV will be wound up.

13.3 Cayman Film Holdings Limited and Cayman Film Holdings UM Limited (Both in Voluntary Liquidation)

Per the Previous Report, the Distribution Trustee sought to wind up the affairs of AEF and as such placed the two subsidiaries, Cayman Film Holdings Limited and Cayman Film Holdings UM Limited, into Voluntary Liquidation on April 6, 2016. The liquidations of these two entities are still ongoing.

Aramid Distribution Trust
Distribution Trustee Annual Report on Plan Implementation – March 1, 2018

DUFF & PHELPS

Duff & Phelps LLC.
55 East 52nd Street, 31st Floor, New York, NY 10055

T +1 212 871 2000

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Aramid Distribution Trust

Distribution Trustee Annual Report on Plan Implementation – March 1, 2018

Exhibit A

Aramid Distribution Trust

Consolidated Receipts and Payments Summary
for the period 25 February 2016 to 31 December 2017

USD

Bank

Balance on M&T Bank USD 9863696986	8,586,730.79
Balance on M&T Bank USD account 9863699014	3,050,000.00
Balance on DMS USD Account 00294100	2,409.49
Balance on DMS USD Redemption Account 00294110	200.00
Inter-Company transfer	50,141.23
	11,689,481.51

Receipts

Royalties from films - Starz Ent. CDA Trade Pay	14,722.46
Royalty from films - Stichting Freeway Custody	21,538.65
Royalty from CDC United Network SA	13,031.19
Royalty - Incentive Film Distribution LLC	3,844.57
Loan Repayment - Fintage Collection	147,126.93
Loan Repayment - ACH Receipt - AEBV	377.60
Loan Repayment - Stichting Freeway Custody - AEBV	5,684.84
Loan Repayment - transfer from AEBV	1,000,000.00
Settlement from Lawauit	6,454,112.81
Total Receipts	7,660,439.05

Payments

Liquidators' Fees	3,055,997.17
Liquidators' Disbursements	73,264.85
Legal Fees - Reed Smith	11,382,018.00
Legal Fees - Maples and Calder	143,701.62
Legal Fees - Kobre & Kim	25,226.46
Legal Fees - Irrell & Manella LLP	119,057.42
Legal Fees - Law office of John D Wallen LLC	2,660.00
Legal Fees - DLA Piper LLP US	73,907.51
Legal Fees - Dinner Martin Attorneys	19,914.40
Legal Fees - Ogier	25,349.56
Valuation Advisor - Houlihan Capital	20,791.00
Financial Advisor - PKF O'Connor Davies	97,975.70
Administrator - Maitland Administration Limited - ALTL	65,000.00
Administrator - Maitland Administration Limited - AEFL	13,000.00
Administrative Services - Wilmington Trust	21,000.00
Document Processing (Cloud Technology): Iron Cove Solutions	375.00
Management Services - Sympathetic Ink Ltd.	10,851.60
Financial Services - Leonis Financial Services	8,050.00
Document Storage and Maintenance - Bonded Services Limited	2,195.17
Document Processing - Zillion	95,806.68
Accounting and Tax Services - Shipleys	2,525.85
Accounting Services - Resolution Economics LLC	138,454.54
Investigative Services - Gryphon Strategies	20,410.19
Audit Services - Perfect Audit	262.20
US Trustee fees - AEFL	47,778.08
US Trustee fees - AEI	2,275.43
US Trustee fees - ALTL	2,275.43
Arbitration fees - London Court of International Arbitration	25,564.00
Arbitration fees: American Arbitration Association	12,000.00
Mediation fees - Martin & Obermaier LLC	7,500.00
Mediation fees - In The Place Of Strife	5,010.01
Royalty due to Entertainment Partners	404.49
Royalty due to DGA: Cast & Crew Payroll LLC	10,349.51
Tax payment - Foresight Unlimited LLC	800.00
Bank charges	7,727.75
Total Payments	15,539,479.62

Amount due to creditors and investors	3,810,440.94
Less amount paid to creditors	1,723,000.00
Balance as per bank statement	2,087,440.94

Duff & Phelps (Cayman) Limited	Geoffrey Varga
The Harbour Centre, 42 North Church Street	Trustee
P.O. Box 10387, Grand Cayman	2 January 2018
Cayman Islands, KY1-1004	